DOCUMENT RESUME

ED 480 685 CE 085 509

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TITLE	State Financing Declines for Job Training: Need for Federal Funding Increases.
INSTITUTION	Jobs for the Future, Boston, MA.
PUB DATE	2003-07-00
NOTE	5p.
AVAILABLE FROM	For full text (requires registration): http://www.jff.org/jff/PDFDocuments/statefinances.pdf.
PUB TYPE	Information Analyses (070)
EDRS PRICE	EDRS Price MF01/PC01 Plus Postage.
DESCRIPTORS	Administrator Attitudes; Adult Education; Educational Demand; *Educational Finance; Educational Legislation; Educational Supply; Federal Legislation; *Federal Programs; *Federal State Relationship; Financial Support; Interviews; *Job Training; National Surveys; Needs Assessment; Position Papers; Postsecondary Education; *Public Policy; Secondary Education; *State Programs; Trend Analysis
IDENTIFIERS	Reauthorization Legislation; *Workforce Investment Act 1998

ABSTRACT

When interviewed in spring 2003, officials in 16 states with a demonstrated commitment to job training provided data on 30 state-financed programs in their states. An analysis of the data yielded the following findings: (1) when recent, long-term, and projected declines are considered, funding is declining for 22 of the 30 programs studied; (2) in the most recent budget cycle, budgets were reduced for 18 of 30 programs; (3) future state budget reductions were predicted by 13 of the 15 programs that provided Jobs for the Future with projections of their future state financing for job training; (4) of the 18 longstanding programs studied, 11 had lost some or all state funding as of the most recent budget cycle; and (5) future reductions were deemed highly likely by 9 of the 10 longstanding programs that provided projections. It was suggested that pending reauthorization of the Workforce Investment Act (WIA) could respond directly to declines in state and federal training resources by increasing the amount of federal funding for job training. Alternatively, reauthorization of WIA could provide matching funds to states that maintain or increase investment in customized job training programs, thereby encouraging state funding of such programs. (A detailed table summarizing funding for job training in the 16 states studied is appended.) (MN)

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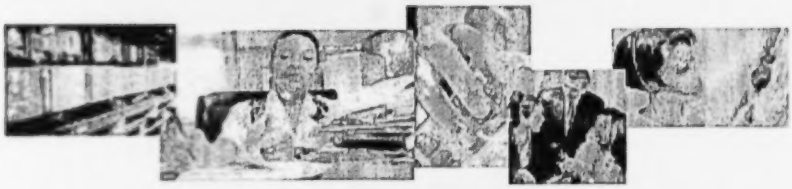

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State Financing Declines for Job Training: Need for Federal Funding Increases

By Jack Mills and Radha Roy Biswas, Jobs for the Future
July 2003

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At the same time that federal funding for job training is in decline, fiscal challenges are forcing states to reduce funding for significant numbers of state-financed job training programs. Further, state officials project reductions in coming budgets for nearly 90 percent of the programs.

The reductions reverse a direction many states pursued between 1998 and 2001. During that period, states built upon increases they had made earlier in the 1990s, enlarging funding levels and expanding the number of job training programs they supported. These increases made the states a substantial source of funding compared to the federal government.[1]

The recent declines in state-financed job training occur in the context of federal reductions that began after 1998. According to data provided by the Center for Law and Social Policy, implementation of the Workforce Investment Act brought declines in federally funded job training for adults and dislocated workers. Under WIA, the number of lower-income adults receiving training in Program Year 2000 was only about 30 percent of the number trained under its predecessor legislation, the Job Training Partnership Act, in Program Year 1998. Moreover, the number of dislocated workers receiving training declined by two-thirds.

Meanwhile, 2003 research by Workforce Innovation Networks (WINs, a partnership of Jobs for the Future, the U.S. Chamber of Commerce's Center for Workforce Preparation, and the National Association of Manufacturers' Center for Workforce Success) shows that employers express a strong demand for training.[2] In addition, low-wage workers express a strong interest in education or training in order to advance their careers, according to a Jobs for the Future survey.[3]

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Findings

In spring 2003, Jobs for the Future contacted states that had demonstrated a commitment to job training, interviewed state officials who responded to those inquiries, and analyzed the results for 30 state-financed programs in 16 states. We found that:

- Funding is declining for nearly three-quarters of the 30 programs studied (22 of 30) when recent, long-term, and projected declines are considered.
- Budgets have been reduced for the bulk of the programs: 60 percent (18 of 30) had lost some or all funding as of the most recent state budget cycle.
- Future budget reductions are highly likely: in total, declines were predicted by 87 percent of programs that provided Jobs for the Future with projections of their future state financing for job training (13 of 15).

The group of 30 programs included 18 that were in existence in 1998—that is, even before the strong economy increased the availability of funding.[4] Reductions among these programs demonstrate that all state-financed programs, not only those built on the boom economy, face tough times.

- Of the 18 longstanding programs, 11 had lost some or all state funding as of the most recent budget cycle. Among those that have lost funding, budgets for five are lower than they were in 1998.
- Future reductions are highly likely for these longstanding programs. Ten of these programs provided projections; of these, nine expect declines.

This research may have implications for the pending reauthorization of the Workforce Investment Act.

- Reauthorization of WIA could respond directly to declines in state and federal training resources by increasing the amount of federal funding for job training.
- Reauthorization of WIA could provide matching funds to states that maintain or increase investment in customized job training programs. By doing so, federal funds will encourage state funding. Because many state job training programs require an employer match, federal funds will leverage private funds as well.

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Program/Fund	Source	1998 Funding	Recent Funding	Current Funding	Projected Funding	Status and Trend
California						
Employment Training Panel (ETP) (includes California Career Ladders Program)	Unemployment Insurance	$111.8m	$80m	2002-03: $76m Moratoria on programs such as the Career Ladders Program	Uncertain	The ETP has placed moratoria on some programs. ETP funding is significantly lower than in 1998, but the most recent declines have been more gradual than in earlier years. The decrease may be partly because the state legislature has allocated some money in recent years from the UI-based Employment Training Fund, from which ETP receives its funding, to CALWORKS (the state welfare-to-work system) as a state match for federal TANF funds. The diversion of funds to CALWORKS was started after the ETP was found to have substantial amounts of unused funds. For 2002-03, out of a total of $117.6m in the Employment Training Fund, the legislature allocated $76m for the ETP and $30m for CALWORKS.
CALWORKS	TANF, Employment Training Fund based on Unemployment Insurance	n.a.	~$30m	~$30m	Unknown	In recent years, CALWORKS has received funds from the Employment Training Panel as a state match for federal TANF funds.
Faith Based and Community Initiative (FBCI)	State general fund, WIA	n.a.	2000-01: $5m 2001-02: $4m	2002-03: $5m (WIA)	2003-04: $4m (WIA)	Overall funding for the most recent fiscal cycle appears to be more or less level with the past two cycles. However, there has been a dramatic shift in the source of funding. FBCI was funded through state general fund appropriations until 2002. State funding was taken out in 2002 and replaced by WIA funds. The program will be similarly supported in the coming year.
Connecticut						
Customized Job Training Program	State general fund	$3.5m	Not known	2002-03: $0	Not known	Funding has been cut to zero.
Florida						
Quick Response Training	State general fund	$4.4m	$6m	2002-03: $6m	2003-04: $5m-$6m	Funding for the most recent fiscal cycle is higher than in 1998 and level with the two previous fiscal cycles. However, funding is expected to decline slightly in the coming year due to the state of the economy.
Illinois'						
Prairie State 2000 Authority	State general fund	$3.6m	Not known	2002-03: $0	Not known	Rendered inactive in the most recent fiscal cycle
Indiana						
Skills Enhancement Fund (SEF)	State general fund	$13m	$13m	2002-03: $13m	2003-04: $11.8m	SEF funding was level for 10 years, until 2002-03. The projected decline is due to the state of the economy.
Kentucky						
Bluegrass State Skills Corporation Grants	State general fund	$3.1m	Not known	2002-03: $3m	2003-04: ~$3m.	Program funding for the most recent cycle is slightly lower than in 1998. Further decrease is projected due to the state's fiscal crisis.
Massachusetts						
Workforce Training Fund (WTF) (includes the General Program and the Express Program)	Unemployment Insurance	n.a.	Average: $18m	2003: $18m	2004: $13m	On average, the WTF has had level funding in recent fiscal cycles. Declines are projected for the coming year: the legislature has earmarked $13m for the WTF, with the rest going to general funds to offset state deficits.
Building Essential Skills Through Training (BEST)	Combined funding streams: federal and state Unemployment Insurance, WIA	n.a.	First round: $3m	Second round: $2.5m (WIA Incentive Grant)	Not known	Funding for the most recent fiscal cycle decreased from the previous (first) round.
Extended Care Career Ladder Initiative (ECCLI)	State general fund	n.a.	2002: ~$8m (included carry-over of $3m)	2003: $3.4 mil	2004: $0	Funding for the most recent fiscal cycle is half that of previous cycle. The new state administration has removed ECCLI from the House Ways and Means FY04 budget proposal.

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Program/Fund	Source	1998 Funding	Recent Funding	Current Funding	Projected Funding	Status and Trend
Minnesota						
Job Skills Partnership (JSP)	State general fund	$7.4m	Biennium 1999-2001: $28m, including a one-time appropriation of $20m from the MN Workforce Development Fund created in 1999.	Biennium 2001-03: $17m for JSP and Pathways	Biennium 2003-2005: $15-$16m	JSP funding has risen and fallen depending on economy, but the most recent funding level is higher than in 1998. The projected decline is due to the state's fiscal crisis. Even more important, from 2002-03 onward, other programs (e.g., MN Pathways, HELP, Distance Work programs) that previously had separate sources of funding will be rolled into the JSP. In the most current fiscal year, the JSP also had TANF money that was to be carried forward, but the legislature may stop TANF carryovers.
Pathways	State general fund, TANF	n.a.	Biennium 1999-01: $4m, ($1m from general fund appropriation and $3m from TANF block grant	Rolled into JSP	Not known	Pathways will be rolled into JSP as of July 2003. It was funded partly through state appropriations and partly through TANF funds. The program has some TANF funds to carry forward, but the legislature may stop TANF carryovers.
Distance Work	State general fund	n.a.	Not known	Rolled into JSP	Not known	Distance Work will be rolled into JSP as of July 2003.
Hire Education Loan Program (HELP)	State general fund, loans overseen by JSP Board	n.a.	Not known	Rolled into JSP	Not known	HELP will be rolled into JSP as of July 2003.
New Jersey						
Customized Training Program — Workforce Partnership Fund	Unemployment Insurance	$29.2m	2000-02: $30m on average	2002-03: $30m	2003-04: $20m	Funding for the most recent fiscal cycle was almost the same as in 1998. However, the program has had variable funding over the years, with a high of $40m and a low of $30m in recent years. The projected decline is the result of weakness in the state economy.
Customized Training Literacy Grants— Workforce Partnership Fund	Unemployment Insurance	n.a.	2000-02: $2m	2002-03: ~$2m	2003-04: ~$2m	The program has retained level funding so far and is expected to so for the coming fiscal year.
New Mexico						
Industry Development Training Program	State general fund	$6m	2000: $6m 2001: $6m 2002: $9m	2003: $8.3m	2004: $7m	Funding for the most recent fiscal cycle is higher than in 1998 but down from the last two cycles. Funding for the coming years is expected to decline further.
North Carolina						
Focused Industrial Training (FIT)	State General Fund Appropriation, Unemployment Insurance Funds, "House Bill 275"	$3.7m	2000-01: $4.9m 2001-02: $4.6m	2002-03:$3.9m	Not known	Funding for FIT for the most recent fiscal cycle shows an increase from 1998, but is down from recent fiscal cycles. No projections are available. In recent fiscal cycles FIT has had an additional source of funding in the form of "House Bill 275." Previously it had been funded partly through general fund appropriations and partly through unemployment insurance funds.
New and Expanding Industry Program	State general fund "House Bill 275"	$10.1m	2000-01: $7.6m 2001-02: $5.5m	2000-03: $16m	Not known	Funding for the New and Expanding Industry Program for the most recent fiscal cycle is higher than in 1998 and substantially higher than in recent cycles. Available data indicate that state general revenues (the program's original source of funds) have been supplemented by another state source, referred to as "House Bill 275." Most of the recent growth appears to have come from this source.
Occupational Continuing Education	State general fund	$10.5m	2002-01: $43m 2001-02: $45m	2002-03: $46m	Not known	Funding for the most recent fiscal cycle is substantially higher than in 1998, with a more gradual increase in recent cycles. The program has grown fourfold.
Human Resource Development Expenditures	State general fund	n.a.	2000-01: $6.5m 2001-02: $3.8m	2002-03: $4.0m	Not known	Funding for the most recent cycle was up from the previous cycle but down from 2000-01, the first year of available data.

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Program/Fund	Source	1998 Funding	Recent Funding	Current Funding	Projected Funding	Status and Trend
Ohio						
Ohio Investment & Training Program (OITP)	State general fund	$9.9m	Biennium 2000-01: $20m per year	Biennium 2002-03: $12m per year	Biennium 2003-04: $11m per year	The OITP's funding for the most recent fiscal cycle is higher than in 1998 but down significantly from recent fiscal cycle. Further declines are projected for the coming year due to the state of the economy.
Appalachian Training Fund	State general fund, federal Appalachian funds	n.a.	2001-02: $0.25m	2002-03: $0.25m	2003-04: $0.25m	Funding for the program, which matches federal Appalachian Region Commission funds with state dollars 1:1, has remained level.
Pennsylvania						
Customized Job Training Program	State general fund	$29m	See "Status and Trend" comment	$2002-03: $37.5m	2003-04: $32.5m	Funding for the program has grown steadily and was significantly higher in the most recent cycle than in 1998. However, a slight decline is projected for the coming year due to the state of the economy.
Texas						
Skills Development Fund	State general fund	Biennium: $12.5-$13m per year	2000-01: $12.5m per year	Biennium 2002-3: $12.5m per year	2003-04: $12.5m	The fund has remained level since 1998 and expects to receive level funding.
Smart Jobs Fund	Unemployment Insurance	$54m	Not known	2002-03: $0	Not known	The Smart Jobs Program was discontinued.
Job Skills Program	State general fund	$558,000	2000-02: $558,000	2002-03: $568,000	Not known	Funding for the program has remained nearly level since 1998.
Washington						
Worker Retraining Program	State general fund	n.a.	2000-02: $28m-$35m on average	2002-03: $41m (including a one-time additional allocation of $6.6m)	Not known	Funding for the most recent fiscal cycle is higher than in previous cycles. Funding for the coming year is unknown.
Wisconsin						
Customized Labor Training Program	State general fund	Biennium: $4.2m for 1998	Biennium: 1997-99: $23m 1999-2001: $26m	Biennium 2001-03: $20m	Biennium: 2003-05: ~$16m	Funding for the most recent cycle is significantly higher than in 1998. However, funding has declined from recent periods. Further decreases are expected for the coming year due to the state of the economy.

Jobs for the Future seeks to accelerate the educational and economic advancement of youths and adults struggling in today's economy. Jobs for the Future partners with leaders in education, business, government, and communities around the nation in order to: strengthen opportunities for youth to succeed in postsecondary learning and high-skill careers; increase opportunities for low-income individuals to move into family-supporting careers; and meet the growing economic demand for knowledgeable and skilled workers.

Jack Mills is a program director at Jobs for the Future. He leads research and development, best practice analysis, and policy design related to workforce development initiatives that meet the needs of employers and low-skilled adults. He has co-authored *Business Participation in Welfare-to-Work: Lessons from the United States* with Richard Kazis and *Employer-Led Organizations and Skill Supply Chains: Linking Worker Advancement with the Skill Needs of Employers* with Heath Prince. He has an M.P.A. from Harvard's Kennedy School of Government.

Radha Roy Biswas is a project manager at Jobs for the Future, with a strong background in economic development issues. Before coming to JFF, Ms. Biswas was a consulting research associate at Mt. Auburn Associates, where she engaged in research on various industries, workforces, and regions. She received a B.A. in economics from the University of Pune (India), as well as a B.A. in economics and an M.A. in Regional Economic and Social Development from the University of Massachusetts, Lowell.

Notes

[1] Federal funding for WIA services to adults and dislocated workers in Program Year 2000 (including core, intensive, and training) totaled $2.539 billion. State funding for customized job training in 1998 totaled $575 million.

[2] Workforce Innovation Networks. 2003. *Reauthorizing the Workforce Investment Act: What Employers Say About Workforce Development.* Boston: Jobs for the Future

[3] In spring 2003, Lake, Snell, Perry & Associates surveyed 1,002 low-wage workers for Jobs for the Future. Seventy percent of workers with family incomes under 200 percent of poverty want education or training in order to advance their careers. The results will be published in the summer of 2003.

[4] Information for these programs for 1998 comes from: Regional Technology Strategies. 1999. "A Comprehensive Look at State-Funded, Employer-Focused Job Training Programs." Washington, DC: National Governors Association and KRA Corporation. 1999. "State Financed and Customized Training Programs." U.S. Department of Labor Office of Policy and Research, May 18.

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